

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 308 – HB 866

March 3, 2015

SUMMARY OF ORIGINAL BILL: Authorizes Cheekwood Botanical Garden and Museum of Art in Davidson County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

Exceeds \$1,200/FY15-16 and Subsequent Years/General Fund

Decrease State Revenue – \$900/FY15-16/ABC Fund

\$1,200/FY16-17 and Subsequent Years/ABC Fund

Increase Local Revenue – Exceeds \$900/FY15-16 and Subsequent Years

Other Fiscal Impact – For every \$10,000 increase in alcoholic beverage sales, state revenue to the General Fund is estimated to increase by \$1,400 and local revenue is estimated to increase by \$1,000.

SUMMARY OF AMENDMENT (003759): Authorizes Cheekwood to also apply for a special occasion license, for the sales and service of alcoholic beverages on or off-premises. Authorizes the licensee to receive donated or discounted products, to be used for sale or complimentary service to patrons and guests by the licensee; provided, that all the products are donated from a wholesaler's private stock or by a supplier and distributed through a wholesaler at zero invoice. Requires all donated or discounted products to be segregated from the licensee's regular stock and to be used at an event licensed as a special occasion event.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

Exceeds \$1,200/FY15-16 and Subsequent Years/General Fund

Decrease State Revenue – \$400/FY15-16/ABC Fund

\$700/FY16-17 and Subsequent Years/ABC Fund

Increase Local Revenue – Exceeds \$900/FY15-16 and Subsequent Years

Other Fiscal Impact – For every \$10,000 increase in alcoholic beverage sales, state revenue to the General Fund is estimated to increase by \$1,400 and local revenue is estimated to increase by \$1,000.

Assumptions for the bill as amended:

- This bill, as amended, only applies to Cheekwood Botanical Garden and Museum of Art in Davidson County.
- The Tennessee Alcoholic Beverage Commission (ABC) reports that Cheekwood currently has a catering license and a restaurant license. The current recurring license revenue to the ABC Fund is \$1,375 (\$625 catering license + \$750 restaurant license).
- Under the provisions of this legislation, Cheekwood will be licensed as an urban park center, with a one-time application fee of \$300 and a recurring license renewal fee of \$150, and will also obtain a special 24-hour occasion license on at least five occasions each year, with a recurring license fee of \$100 per occasion; \$500 total for all five occasions. The resulting one-time decrease in revenue to the ABC Fund in FY15-16 is estimated to be \$425 [$\$1,375 - (\$300 + \$150 + \$500)$]; the recurring decrease to the ABC Fund beginning in FY16-17 is estimated to be \$725 ($\$1,375 - \$150 - \500). It is assumed that Cheekwood will first be licensed as an urban park center in FY15-16.
- Based on information received from the Department of Revenue, it is estimated that this bill, as amended, will result in a recurring increase in gross sales of alcoholic beverages.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on the additional sales of alcoholic beverages. It is assumed that the facility is currently paying all applicable local privilege taxes, which will remain unchanged.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- This bill, as amended, will result in new revenue to the state General Fund. The extent of any additional revenue is unknown; however, the fiscal note for the original bill estimated that new revenue to the General Fund will exceed \$1,200 beginning in FY15-16. That estimate remains unchanged for the bill as amended.
- Based on the minimum anticipated revenue to the General Fund, and the local funding allocation of LBD tax revenue and local sales tax collections, the recurring increase in local revenue is reasonably estimated to exceed \$900 beginning in FY15-16.
- For every \$10,000 in increased alcoholic beverage sales, state revenue to the General Fund is estimated to increase by \$1,425 and local revenue is estimated to increase by \$1,000.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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